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SUBJECT: REINVENTING USG ENERGY TRAINING

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1. Summary: The growing strategic importance of energy in the 21st century places increased demands on our diplomats to become experts in areas where, in the past, a generalist's knowledge would suffice. The training we offer our officers must therefore evolve to reflect the fact that this complex issue is emerging as one of our country's defining strategic interests. This was the conclusion of more than 40 USG energy officers from 30 posts and agencies who gathered in Sofia December 6-7 for a conference devoted to midstream economics and pipeline projects (ref A). This was also a key conclusion of the Regional Chiefs of Mission Conference on Energy held in Istanbul in September 2007. Recent changes announced to FSI's energy course offerings (ref B) are an important start. This cable offers recommendations, developed by the more than 40 energy officers at the Sofia Energy Conference, to further improve USG training on energy issues. End Summary.

#### Background

2. Just as U.S. diplomats and civil service employees working on arms control issues in the 1970s and 80s were expected to speak the language of throw-weights and boost phase ratios, today our energy officers need to be able to calculate netbacks, evaluate undiscovered reserves and understand the strategic context in which all the calculations, production sharing agreements, and intergovernmental protocols fit. With the price of oil at record highs, increasing world demand, the necessity to reverse climate change, and moves by certain players to make energy a game based on political, rather than market, rules, it has never been more important for our diplomats to be fluent in the language of energy. Our ability to successfully navigate the future depends on this fluency and expertise.

#### Recommendations

3. Recent changes announced to FSI energy courses are a welcome start to reinventing USG energy training. The new, two-day Washington Energy Seminar should be required for all reporting officers assigned to any key upstream, downstream or midstream post. It should be highly recommended for other reporting and PD officers, including those assigned to posts where energy is not a primary focus. We hope the seminar

will make broad use of the full range of energy experts available in the U.S. Government and Washington area think tanks. We also hope that the participants will receive an overview of current U.S. energy and energy security policy, including, when possible, talks by key officials at the Departments of State and Energy and the NSC who make this policy. For European and Eurasian energy officers, it would be helpful to receive a short "cheat sheet" on the major current and proposed pipeline projects and how those fit into U.S. policy goals. An overview of how to evaluate energy projects, similar to the one presented at the Sofia conference by CSIS's Ed Chow, would also be a useful addition to the Washington Energy Seminar.

¶4. Real change should be made to the Houston Oil and Gas Industry Course. While the Petroleum Equipment Suppliers Association (PESA) has been a valued sponsor of this course for many years, its desire to focus the agenda on equipment, drilling techniques, and other specialties of its membership, while understandable, no longer meets the changing needs of energy officers who have scarce time for formal training. Parts of the Houston course are highly relevant and should be retained: the general overview of how oil and gas go from the ground to the pipeline to the end user; the tour of an oil rig; the economics of energy panel including session on LNG; the interaction with oil and gas industry leaders (and hearing what they want from the USG in terms of advocacy); and the seminars at the Baker Institute. Otherwise, the Houston course should be reformed to focus less on extraction technologies and more on energy project finance and viability (from the calculation of netbacks to the evaluation of political risk); legal aspects of energy agreements (production sharing agreements, shareholder, host government and intergovernmental agreements), EU regulations affecting

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energy, and the intersection between energy and the environment. One option would be to shorten the Houston program to three days and combine it with the two-day Washington Energy Seminar, giving officers one week of intense, relevant energy training.

¶5. Many officers suggested the complexity and importance of energy calls for the USG to offer an educational continuum on this subject. An introduction to energy issues and policy could be offered as early as A-100. More generalized courses could be taken throughout one's career including the current Washington, Houston, Alaska (which many officers deemed more valuable than Houston), Denver and Pittsburgh seminars. More advanced and specialized courses and seminars - on Eurasian and Asian energy issues, the Southern Corridor, energy project finance, as well as on nuclear energy, biofuels, and other renewables, should also be developed.

¶6. The timing of course offerings is key. Energy officers present at the Sofia conference suggested that the Washington policy course be offered several times throughout the year to allow more officers to attend. Because officers often do not know what they need to know about energy before getting to post, training opportunities should be geared not only to those on summer transfer. To meet this need, training sessions associated with annual regional energy officer conferences should be offered. These conferences offer great "bang for the buck" and give officers an invaluable opportunity to exchange information and contacts. Additional instructional materials available on-line would also help officers once they get to post. In all training courses, special emphasis should be put on the role of policy, politics and U.S. diplomats to affect change and influence outcomes. The use of case studies showing why certain energy projects succeeded or failed and how U.S. policy influenced ultimate outcomes would bring energy work to life.

¶7. The ideas listed above are just a few of the many suggestions current and former energy officers have on reinventing USG energy training. We urge course developers

to reach out to energy officers for suggestions on topics and speakers from the corporate world, academia and think tanks. We would also like to thank EEB and FSI for their continuing efforts to offer the best possible training on energy and energy security.

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